

Rochester Public Utilities enhances regulatory reporting in SAP® with HPC America

Municipal utility strengthens foundation to join Independent System Operator by streamlining FERC cost assignments and improving timeliness of regulatory accounts.



Rochester Public Utilities (RPU), a division of the City of Rochester, MN, is the largest municipal utility in the State of Minnesota. RPU serves 50,000 electric customers and 37,000 water customers. The utility operates several power production stations, plus transmission and distribution lines, including the 100-megawatt, coal-fired Silver Lake Plant, the 83-megawatt Cascade Creek Combustion Turbines, and the Lake Zumbro Hydroelectric Plant.

Challenges and Opportunities

More than a decade after implementing SAP, Rochester Public Utilities (RPU) needed to improve a number of its original accounting processes that no longer met the company's needs. In the utility's older SAP configuration, regulatory indicators on cost centers required the manipulation of large volumes of data manually, outside of SAP, to mimic the flow-of-cost trace. The system's handling of fleet, capital labor, purchasing, and other costs created massive amounts of line item detail that regulators had difficulty understanding. And generating FERC reports was such a complex, time-consuming process that RPU undertook it only once a year.

In 2012, Finance & Accounting Manager Bryan Blom recognized the need to change RPU's FERC accounting to address these back office issues, and to comply with the Midwest Independent System Operator (MISO) for transmission owners. He identified four key areas for improvement:

- An automated process to assign costs to FERC accounts without replicating the flow-of-cost trace outside SAP.
- A more efficient and accurate means of calculating actual labor charges, and applying payroll taxes and benefits through an overhead process.
- A consolidated process for managing Fleet costs and equipment charges, such that line item detail for maintenance would not appear in transmission and distribution O&M FERC accounts.
- Streamlined FERC reporting that could be run monthly in SAP.

"We had previously tried to achieve these results with internal and external resources, but those efforts were not successful," said Blom. "I knew about HPC America's work at PG&E in developing the original FERC module, and engaged them to conduct a brief assessment. From that work, we made the judgment that HPC's proposed solution would meet our requirements, and that their SAP consultants had the skill, knowledge, and experience to deliver what they proposed."

The Solution

HPC first looked critically at RPU's existing SAP configuration and accounting processes. The company's separate company codes for its Electric and Water utilities would be retained, as would the shared Controlling area. Changes made within this framework would need to accommodate cross-company charges each month, as well as meet both FERC and American Water Works Association (AWWA) reporting standards.

Within these requirements, HPC reconfigured all of the key FERC tables; changed overhead burdens from cost centers to orders; configured costing sheets, settlement profiles, and allocation structures on orders to improve FERC reporting; and configured secondary cost elements to support FERC balances.

At the core of HPC's work was the implementation of HPC Utility Financials Accelerator (UFA), certified by SAP as powered by the NetWeaver® technology platform. At RPU, UFA reduced the trace workload and errors, improved the speed and accuracy of new order creation, automated the translation of natural accounts to regulatory categories, and facilitated better table maintenance. UFA also increased the project's efficiency, such that HPC and RPU's lean team of five people completed everything in just six months, on time and budget.

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Bryan Blom

Finance & Accounting Manager, Rochester Public Utilities

Initial Results

HPC's approach to the project achieved all of RPU's objectives, plus some unexpected bonuses. Bryan Blom commented that, "Working with HPC was a great experience. They took our goals very seriously. I've worked with consultants on other projects where they gathered the desired outcomes, but then deliver what they've delivered at other clients because that's all they know how to do. HPC actually delivered on our desired outcomes and developed a creative solution to do so."

RPU no longer has to split fully loaded labor rates into three portions. HPC changed labor-rate development so that the labor rate used in activity allocation transactions represents only actual labor costs. Payroll taxes and benefits are now applied as overheads in unique cost elements, greatly simplifying the supporting detail for labor in the company's drilldown reports.

HPC also improved RPU's processes for managing Fleet costs. RPU now only sees Fleet usage charges in regulatory accounts. Fleet department costs, such as labor for repairs, and the outflowing rental rates are netted in a clearing account that allows management to see if rates are set appropriately.

With respect to FERC, HPC delivered a streamlined regulatory reporting process that is so effective RPU was able to run it on the same day as its January 2013 close. Costs are assigned directly to orders and the appropriate regulatory category as requisitions are created or invoices are coded, all automatically within SAP. "So far, our organization has adapted to this very well, and I believe it is much more accurate to make the regulatory assignment at the time the cost is initiated. Even better, we have maintained our CO budget model in which managers budget only cost centers and capital projects," said Blom.

RPU can now generate regulatory reports monthly, without any offline calculations. Supporting drilldown reports by regulatory account show only the charges directly related to that regulatory

account, eliminating the voluminous cost flows that were so difficult for regulatory agencies to understand.

While the new FERC reporting could have begun in 2013, HPC saw an opportunity to apply its enhancements to 2012's data as well. Blom noted that, "We now have much better results for last year than we otherwise would have. We also reran 2011 under the enhanced process, so management will have a solid history of recast data to compare against this year's numbers."

Looking forward, Bryan Blom believes that RPU will be well positioned to join MISO in 2014 with its now highly auditable accounting information. "I credit HPC's recommendation to treat secondary costs as primary as the key in making our data understandable. They have very deep technical knowledge about the FERC module, and explained all of our options so that we could make a decision on what best fits RPU."

About HPC America

HPC America is a utility industry expert and certified SAP partner with nearly 20 years of experience implementing SAP and developing back-office solutions in accounting, regulatory reporting, billing, supply chain management, plant maintenance, and business intelligence.

HPC is also the original developer of the IS-U/FERC module, which SAP acquired from us in 1996. Since then, we have pioneered advanced solutions for regulatory reporting on SAP, including HPC Utility Financials Accelerator, certified by SAP as powered by the NetWeaver® technology platform, and the Real-Time FERC solution for the SAP New General Ledger.

Some of our customers include Pacific Gas & Electric, Southern California Edison, We Energies, RPU, PHI, Sonoma County Water Agency, Trans Bay Cable, NTUA, AEPSCO, and City of Palo Alto.